



Legislation Insures Equitable Tax Rates

Utah law designed to prevent the practice of "SUTA Dumping."

The 2005 Utah State Legislature passed House Bill 10 effective March 1, 2005. This important state legislation was designed to prevent the practice of "SUTA Dumping" in conformity with federal legislation passed in August 2004. SUTA Dumping is the practice of circumventing or manipulating a state's Unemployment Insurance (UI) experience rating system to qualify for a reduced tax rate by moving or eliminating ("dumping") UI benefit charges from the employer's tax rate calculation.

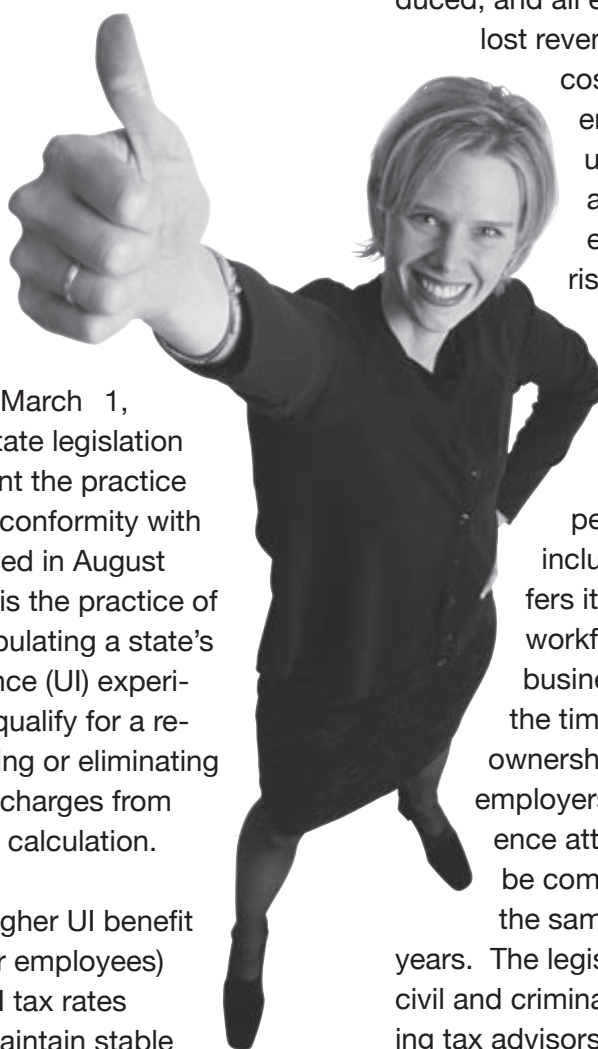
Employers that have higher UI benefit charges (paid to former employees) typically have higher UI tax rates than employers who maintain stable workforces. Although there are a number of methods used, a typical SUTA dumping scenario is for an employer to set up one or more "shell" companies and then transfer all or part of its payroll to one of the shells with a lower UI rate. The experience of the former company

is "dumped," the employer's tax liability is reduced, and all employers must make up for the lost revenue in the form of higher "social costs." The legislation is designed to ensure that employers with higher unemployment experience risks are accountable for these risks and employers with low unemployment risks are protected.

Section 35A-4-304 of the Employment Security Act provides special provisions regarding transfer of unemployment experience and contribution rates. It includes that if an employer transfers its trade or business (including its workforce), or a portion of its trade or business, to another employer and, at the time of the transfer, there is common ownership, management, or control of the employers, then the unemployment experience attributable to each employer shall be combined, and both entities will have the same UI tax rate for up to three four years. The legislation also provides meaningful civil and criminal penalties for any person, including tax advisors, who knowingly violates or attempts to violate any provision of the legislation.

While section 35A-4-304 has the major portions of the new "SUTA Dumping" legislation, House Bill 10 also amended sections 35A-4-204, 208, 301,

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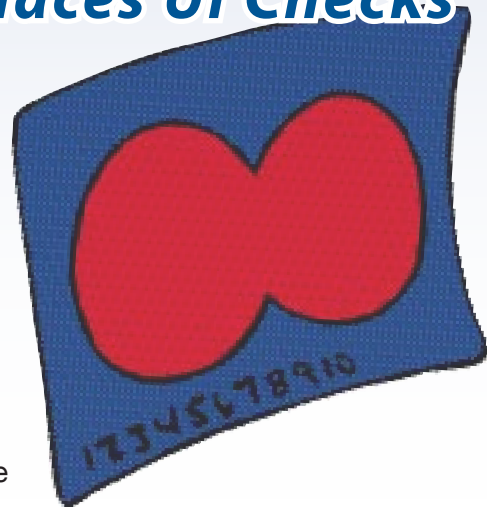


and 303 of the Utah Code. For a complete description of the 2005 legislation you may access it from the Utah State Legislature web site at <http://le.utah.gov/>. Go to "Quick Bill Search", 2005 General Session, HB10. The complete bill text is available in HTML or PDF file formats

If you have any questions with respect to this legislation you may contact us at 801-526-9400 or toll free at 1-800-222-2857 ext 9400.

EPPICard MasterCard Replaces UI Checks

It is expected that by April 2005 unemployment insurance claimant checks will be eliminated.



Payment by the traditional paper benefit check will soon be "a thing of the past" for the Unemployment Insurance (UI) Division of the Department of Workforce Services (DWS). In a move to improve both payment integrity and payment efficiency, the division is switching to electronic payment for unemployment insurance benefits. For the past three years, claimants have enjoyed the option of direct deposit to their personal bank or savings accounts. In October 2004, a new electronic payment option was introduced—the Utah EPPICard MasterCard debit card. Claimants now have the choice of direct deposit or a Utah EPPICard.

The Utah EPPICard looks like any standard MasterCard debit card, and can be used anywhere MasterCard debit cards are accepted to obtain goods, services, or cash. There is no cost to the state for the card. Claimants who avoid using ATMs or requesting card replacements use

the card for free. Card use is supported by a 24-hour customer service call center located in Sandy, Utah.

Since Utah is not immune to national trends of check abuse and identity theft, as frequently reported on the evening newscasts, the UI Division is heartened by claimant acceptance of new, more secure payment methods. Currently only about 5% of claimants still receive checks. It is expected checks will be eliminated by April 2005. Thus far, about 40% of claimants have chosen to receive their electronic benefit payments via the Utah EPPICard MasterCard debit card.